

## Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 AGR-05 CIAE-00 COME-00 EB-07 INR-07

LAB-04 NSAE-00 RSC-01 SP-02 STR-01 TRSE-00 CIEP-01

FRB-01 OMB-01 SS-15 NSC-05 L-02 /063 W

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R 040531Z JAN 75

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 3847

C O N F I D E N T I A L TAIPEI 0021

E.O. 11652: GDS

TAGS: ETRD, TW

SUBJECT: COTTON CONTRACT PROBLEM

REF: TAIPEI 7672, 7435, STATE 280273

1. S. Y. WANG (WANG, SHAO-YU), VICE MINISTER OF FINANCE, INFORMED ECON COUNS JAN. 4 THAT FOLLOWING FINANCIAL MEASURES HAVE BEEN TAKEN BY GROC TO ASSIST COTTON TEXTILE INDUSTRY:

A. THE MINISTRY OF NATIONAL DEFENSE HAS AGREED TO PURCHASE AN ADDITIONAL US\$9.1 MILLION OF COTTON TEXTILES IN FY-1975 FOR UNIFORMS.

B. THE TAINAN SUPPLY BUREAU OF THE TAINAN PROVINCIAL GOVERNMENT HAS BEEN GIVEN US\$13.2 MILLION BY THE MINISTRY OF FINANCE TO PRUCHASE INVENTORIES FROM THOSE COTTON TEXTILE MILLS IN THE MOST SERIOUS FINANCIAL DIFFICULTIES.

C. COMMERICAL BANKS HAVE BEEN INSTRUCTED TO MADE AN ASSESSMENT OF THE CAPITAL STRUCTURE OF THEIR TEXTILE MILL CLIENTS. IN CASES WHERE THE ASSETS OF A MILL EXCEED THE LIABILITIES THE BANK WILL EXTEND A LINE OF CREDIT TO THE MILL EQUAL TO THE DIFFERENCE AT 9 PERCENT INTEREST. THE MILL CAN USE THE MONEY FOR WHATEVER PURPOSE IT DEEMS MOST IMPORTANT, SUCH AS PURCHASES OF RAW COTTON. THESE LINES OF CREDIT WILL BE GUARANTEED BY THE MINISTRY OF FINANCE.

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D. THE MINISTRY OF FINANCE HAS SUSPENDED THE COLLECTION

OF IMPORT DUTIES ON RAW COTTON UNTIL FURHTER NOTICE.

2. VICE MINISTER WANG ADMITTED THAT THESE MEASURES MAY ASSIST THE TEXTILE INDUSTRY IN RESOLVING ITS CURRENT PROBLEM OF EXCESSIVE INVENTORIES AND DECLINING ORDERS BUT THAT THEY WILL DO LITTLE TO RESOLVE THE PROBLEM OF UNOPENED L/C'S FOR COTTON CONTRACTED ABOVE THE CURRENT MARKET PRICE. COTTON TEXTILE INDUSTRY CLAIMS IT IS IN NO CONDITION TO PURCHASE THAT COTTON WITHOUT FINANCIAL ASSISTANCE. IT IS FOR THIS REASON THAT THE GROC, WITH MANY DEMANDS ON ITS RESOURCES FROM THE COTTON TEXTILE AND OTHER AILING INDUSTRIES, IS SO INTERESTED IN KNOWING IF CREDIT CAN BE MADE AVAILABLE BY THE USG.

3. COMMENT: EMBASSY HAS INCOMPLETE DATA UPON WHICH TO BASE AN ASSESSMENT OF THE EFFECT THE MEASURES ANNOUNCED BY THE GROC WILL HAVE ON RESOLVING THE COTTON CONTRACT PROBLEM. SOME PROGRESS IS BEING MADE, AS EVIDENCED BY THE NUMBER OF L/C'S WHICH ALREADY HAVE BEEN OPENED THROUGH NEGOTIATION OR BY THE IMPROTER HONORING THE ORIGINAL CONTRACT. HOWEVER, FEW L/C'S HAVE BEEN OPENED FOR COTTON CONTRACTED FOR AT PRICES ABOVE THE CURRENT MARKET PRICE AND IT IS UNLIKELY THEY WILL BE OPENED UNLESS A SOURCE OF CREDIT IS FOUND.  
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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Draft Date:** 04 JAN 1975  
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**Disposition Date:** 28 MAY 2004  
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